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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 INRE-00 USIE-00

CIAE-00 DODE-00 PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05

PA-01 RSC-01 PRS-01 SP-02 SS-15 IO-10 NIC-01 ACDA-05

SAJ-01 FAA-00 DOTE-00 EB-04 COME-00 TRSE-00 /070 W
---------- 041288
O R 081925Z NOV 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 6161
INFO USMISSION USBERLIN
AMEMBASSY LONDON
USMISSION NATO BRUSSELS
AMEMBASSY PARIS

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E.O. 11652: N/A
TAGS: PFOR, ETRN, WB, US, UI, FR, GW
SUBJECT: IGS FARE INCREASE; UK REQUEST FOR
CONSULTATIONS ON BERLIN AIR

REF: A. STATE 246088; B. STATE 224760;
C. BONN 16498

1. SUMMARY. BA'S AND PAA'S FARE INCREASE APPLICATIONS ARE IDENTICAL. EMBASSY CONCURS IN DEPARTMENT'S POSITION THAT POLITICAL LEVEL CONSULTATIONS ON IGS WOULD BE ILL-ADVISED AND WOULD DELAY OUR EFFORTS TO PUT PRESENT FARE INCREASE APPLICATION INTO EFFECT. WE RECOMMEND THAT THE BRITISH BE ENCOURAGED TO FOCUS FULL ATTENTION ON FARE INCREASE APPLICATION AT HAND. END SUMMARY.

2. UK CAA GROVES RECEIVED BA'S FARE INCREASE APPLICA-
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TION ON NOVEMBER 7. EMBASSY CAA AND GROVES COMPARED

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NOTES LATER IN THE DAY AND ESTABLISHED THAT PAA'S AND BA'S PROPOSED NEW FARE LEVELS WERE IDENTICAL. AVERAGE INCREASE TO THE PASSENGER IN BOTH CASES WOULD BE 7.9 PERCENT.

3. IN COURSE OF THE MEETING, GROVES DISCUSSED INFORMALLY UK VIEWS LEADING TO WASHINGTON DEMARCHE REPORTED REFTEL. WHILE BA HAD AGREED TO THE 7.9 PERCENT LEVEL OF FARE INCREASE FOR THE PRESENT, IN ORDER TO AVOID ADDITIONAL LOSSES DURING FISCAL YEAR 1975 (BEGINNING APRIL 1, 1975) BA WOULD REQUIRE ANOTHER FARE INCREASE EARLY NEXT YEAR SOMEWHERE IN THE NEIGHBORHOOD OF 10 PERCENT. UK EMBASSY FEELS THAT IT WOULD BE BEST TO APPROACH THE GERMANS NOW IN TERMS OF "PUTTING T IGS ON A COMMERCIALLY VIABLE BASIS", WITH A VIEW TO INCREASING IGS CARRIER REVENUES BY SOMEWHERE BETWEEN 15 AND 20 PERCENT. SINCE THE BRITISH ALSO RECOGNIZE THE ADVERSE IMPACT ON PASSENGER VOLUME OF FURTHER FARE INCREASES, THE UK WOULD FAVOR EXPLORING WITH THE GERMANS THE QUESTION OF INCREASED SUBSIDIES. WHILE GROVES WAS NOT PREPARED TO GIVE FURTHER DETAILS ON THE BRITISH PROPOSAL, HE SAID THE APPROACH THE UK HAD IN MIND WOULD SEEK TO RESOLVE IN ONE EXERCISE BA'S IGS REVENUE PROBLEMS THROUGH FISCAL YEAR 1975.

4. ALSO SPEAKING "OFF THE RECORD", EMBASSY CAA TOLD GROVES THAT UK APPROACH COULD POSE SERIOUS OBSTACLES TO REACHING A PROMPT RESOLUTION ON THE PRESENT FARE INCREASE APPLICATION. MOREOVER, THE RAPIDLY CHANGING COST SITUATION IN CIVIL AVIATION GENERALLY SUGGESTED THAT IT WAS NOT PRACTICABLE TO ATTEMPT TO SET FARES TO COVER A PERIOD AS LONG AS THE BRITISH SEEMED TO HAVE IN MIND. EMBASSY CAA URGED THAT BRITISH GIVE PROMPT CONSIDERATION TO PROCEEDING WITH PRESENT APPLICATION, ADDING THAT WE WOULD ALSO BE INTERESTED IN EXAMINING THE POSSIBILITY OF REDUCING THE IMPACT OF INCREASED FARES ON THE BERLIN TRAVELING PUBLIC THROUGH ADDITIONAL FRG FINANCIAL AID. WE BELIEVED, HOWEVER, THAT EFFORTS

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SAJ-01 FAA-00 DOTE-00 EB-04 COME-00 TRSE-00 /070 W
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O R 081925Z NOV 74
FM AMEMBASSY BONN
TO SECSTATE WASHDC IMMEDIATE 6162
INFO USMISSION USBERLIN
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ALONG THESE LINES SHOULD BE KEPT WITHIN THE CONTEXT OF THE PRESENT FARE APPLICATION.

5. COMMENT: EMBASSY AGREES WITH THE DEPARTMENT'S POSITION THAT BRITISH SHOULD BE DISCOURAGED FROM RAISING COMPLEX OF IGS ISSUES AT POLITICAL LEVEL IN WASHINGTON. WE BELIEVE US CONCERNS RE CONTINUED VIABILITY OF BERLIN AIR SERVICES AND PAA'S COMMERCIAL INTERESTS WOULD BE BEST SERVED BY HANDLING FARE INCREASE AND RELATED IGS QUESTIONS IN ESTABLISHED BERLIN AIR FORUMS IN BONN, WHICH AMONG OTHER ADVANTAGES WOULD PERMIT FULL FRENCH PARTICIPATION. BASED ON DISCUSSIONS HERE AND IN WASHINGTON, UK OBJECTIVE APPEARS TO BE TO IDENTIFY USG WITH A SUBSTANTIALLY GREATER FARE INCREASE THAN PAA AND THE EMBASSY BELIEVE WOULD BE COMMERCIALLY OR POLITICALLY VIABLE AT THIS POINT. IN SUM, WE CONSIDER THE BRITISH APPROACH UNREALISTIC AND CERTAIN
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TO COMPLICATE OUR EFFORTS TO MOVE AHEAD PROMPTLY ON THE PRESENT FARE APPLICATION, SINCE THE FRG AND BERLIN SENAT

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WOULD FIND AN INCREASE IN CARRIER REVENUES AS PROPOSED BY THE UK THOROUGHLY UNACCEPTABLE.

6. WE SHARE THE DEPARTMENT'S VIEW THAT THE FRG WILL PROVE UNWILLING TO RAISE SUBSIDIES BUT WE THINK THIS QUESTION AND OTHER POSSIBILITIES OF INSULATING BERLIN TRAVELING PUBLIC (SUCH AS REBATE OF RECENTLY INCREASED FRG LANDING FEES) CAN USEFULLY BE EXPLORED HERE IN THE BCATAG DURING CONSIDERATION OF PRESENT APPLICATION.

7. DEPARTMENT MAY WISH TO RESPOND TO BRITISH ALONG LINES THAT US BELIEVES BEST INTERESTS OF BOTH IGS CARRIERS, PARTICULARLY BA'S PRESSING NEED FOR INCREASED REVENUE, WOULD BE MET BY FOCUSING OUR FULL ATTENTION ON GETTING PENDING FARE INCREASE OF 7.9 PER CENT INTRODUCED AS SOON AS POSSIBLE AND THAT CHANCES OF ACHIEVING THIS WOULD BE MAXIMIZED BY PRESSING AHEAD IN BCATAG WITHOUT DELAY. QUESTION OF BA'S REQUIREMENTS FOR FISCAL YEAR 1975 COULD THEN BE DISCUSSED AT A LATER DATE.

8. WE THINK THERE IS A CHANCE THE BRITISH WOULD ACCEPT SUCH A COURSE, GIVEN BA'S IMMEDIATE REQUIREMENTS. CONCEIVABLY, HOWEVER, THEY MIGHT TAKE THE POSITION, CONSISTANT WITH THEIR WASHINGTON APPROACH, THAT IT WAS ESSENTIAL NOW TO MOVE TO POLITICAL-LEVEL CONSULTATIONS, IN EFFECT POSTPONING CONSIDERATION OF THE 7.9 PER CENT INCREASE UNTIL RESOLUTION OF THE LARGER ISSUES. IN THAT CASE, WE WOULD PROPOSE DISCUSSIONS IN THE FIRST INSTANCE IN BONN (CAA/TRIPARTITE BONN GROUP). IN THE LIGHT OF SUCH DISCUSSIONS, CONSIDERATION COULD THEN BE GIVEN TO THE NEED FOR POLITICAL EXCHANGES IN CAPITALS.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, POLICIES, AIR FARES, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 08 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BONN17595
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740322-0416
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741160/aaaabzbb.tel
Line Count: 202
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. STATE 246088; B. STATE 224760;
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2002 by izenbei0>; APPROVED <08-Aug-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IGS FARE INCREASE; UK REQUEST FOR CONSULTATIONS ON BERLIN AIR
TAGS: PFOR, ETRN, WB, US, UK, FR, GE, (GROVES)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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